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Lockyer, Cliff and Malloy, Eleanor (1992) Labour market activity in the Scottish service sector in 1991 : an analysis of evidence from the Scottish Chambers' of Commerce Business Survey. Quarterly Economic Commentary, 17 (3). pp. 51-56. ISSN 0306-7866 ,

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BRIEFING PAPER

LABOUR MARKET ACTIVITY IN THE SCOTTISH SERVICE SECTOR IN 1991:

An analysis of evidence from the Scottish Chambers' of Commerce Business Survey

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The expansion of the quarterly Scottish Chambers' Business Survey in 1990 permitted, for the first time, the examination of a number of features of the demand side of both manufacturing and service sector labour markets. The changing nature and operation of the labour market has been the subject of much speculation and debate. This paper examines evidence from the survey [between the third quarter 1990 and the fourth quarter 1991], of three of these trends in the service sector⁽¹⁾, namely:

- * evidence of shifts towards part time and other non standard forms of employment;
- * differences in the difficulties in recruiting a range of occupational categories, highlighting underlying skill shortages;
- * special recruitment and retention difficulties⁽²⁾.

Labour market activity in 1990 and 1991 continued to reflect both long term changes affecting the service sector, eg technological and market changes, and shorter term changes including a general decline in demand. The extent and severity of the economic recession which affected 1990 and 1991 is an important consideration in considering employment policy and the indications as to skill shortages and recruitment difficulties. In both retail and tourism/leisure the low levels of demand were seen as the single most significant factor restricting demand. For example, in 1991 an average of 69% of tourism/leisure respondents cited the depressed levels of demand as the factor most likely to restrict activity.

The changing patterns of employment in the service sector (retail, tourism/leisure and finance) in 1990 and 1991 contribute to the wider debate over the emergence of a more flexible labour force [Pollert 1991]. The data contributes to the debate as to whether the changes in employment reflect both a cyclical phenomenon [recession], and/or strategic restructuring [Pollert 1991:xxv]. The net balances of responses from the quarterly surveys indicate that most sectors experienced downward trends in total employment levels in 1990 and 1991, which overwhelmed traditional seasonal peaks in demand. Table 1 provides a summary of trends in total employment and permits a consideration of the seasonality of demand which is a feature of both the

retail and tourism/leisure sectors.

Of greater interest is the changing pattern of employment shown in Table 2 which suggests, on the basis of recent trends in employment patterns [Walsh 1991:106], a degree of continuity in the face of declining demand; namely a shift from full time to part time employment.

Table 2 indicates a number of employment trends:

- * the downward trend in female employment has been far less pronounced than for male employment. This suggests that within the reductions to employment levels there was a move to reduce the percentage of male employees relative to female staffs. This trend appears strongest in the Financial sector and least pronounced in Tourism/Leisure.
- * in all three sectors the results suggest a substitution of part time for full time staff, and predominately the employment of part time female labour. This substitution appears strongest in the Financial sector. Such a pattern, as Walsh notes [1991:105], is to be expected. All three sectors face the twin problems of a considerable variation in demand during the day and week, and secondly, the pressure to make much more effective use of labour and thus to reduce unit labour costs. At a simple level of analysis the apparent substitution of part time staff for full time staff supports those who see a progressive move towards a 'flexible labour force' [Atkinson 1985]. However, differences in the employment of part time, temporary, sub contracting and agency staff between sectors indicates differences in both employers' perceptions as to the use of such labour and, as Table 4 indicates, differences between the sectors in the operation of the labour market.
- * it is difficult to discern a clear pattern with respect to temporary staffs. This may well reflect seasonality, which would seem to apply to both the retail and tourism/leisure sectors. Possible difficulties in the recruitment of part

time staff [see Table 4] might underlie the patterns of recruitment in the finance sector.

Tables 3 - 7 provide further indications as to the deterioration in the demand for labour. Throughout 1991 there was a decline in the percentages of establishments seeking to recruit staff [Table 3], reduced difficulties experienced in recruiting staff [Table 4], fewer establishments reporting increased recruitment difficulties [Table 5], and fewer recruitment and retention difficulties [Tables 6 and 7].

The value of Table 3 is essentially in supporting the findings in Tables 4 - 7. The consistently lower recruitment levels in Finance is indicative of the greater stability of employment in finance as compared to the other service sectors, this is further reflected in the lower level of recruitment and retention difficulties in finance as compared with the other sectors [see Tables 6 and 7].

Examining Table 3 in isolation poses a number of problems. It does not provide any indication as to whether the recruitment activity was essentially for replacement or for other either short or long term reasons, although, the implications from Table 1 are that a significant proportion of the recruitment activity would seem to be for replacement purposes. The evidence in Table 3 can be viewed in two ways:

- * since the third quarter of 1990 there has been a slight decline in percentages of establishments recruiting staff.
- * comparing the same quarters for each year, thus controlling for seasonality, suggests a considerable drop in recruitment activity between the third quarters for 1990 and 1991, but little change between the fourth quarters for 1990 and 1991, apart from a decline in the tourism/leisure sector.

The lower percentages of establishments reporting difficulties in recruiting staff in Table 4 provides further evidence of the increasing slackness in the demand for labour. However, the results in Table 4 are important for two further reasons:

1. The differences experienced in recruiting staff provide clear indications as to the relative appeal of employment in the financial sector as compared to the retail and especially the tourism/leisure sector. Thus whilst significant percentages of retail and tourism/leisure establishments continue to experience considerable difficulties in recruiting staff, the financial sector experiences no problems, apart from a small percentage reporting difficulties in recruiting part time staff. The attractiveness of working in the financial sector leads to labour 'queuing' to enter the industry, and thus enables the financial sector to overcome its

potential shortages of labour. In contrast, the lower appeal of working in the tourism/leisure sector contributes to the underlying difficulty in attracting suitable young workers and part time staffs. Thus the pattern of usage of part time, temporary, sub contract and self employed staffs in tourism/leisure reflects not only management strategies to product changes and product market factors, but also a reaction to the harsher labour market.

2. The continuing difficulties in recruiting suitable staff in a range of occupational groups in both retail and tourism/leisure suggest considerable underlying shortages of suitably qualified professional/managerial, clerical and skilled manual staffs. This supports those who have argued as to the long term inadequacies in post war training policies.

Table 5 provides further evidence as to the declining demand for labour in terms of the increasing slackness in the labour market. The ease by which the finance sector has been able to meet recruitment needs is a further indication of the operation of the labour market in terms of preferences to enter particular industries and sectors.

Tables 6 and 7 provide further evidence as to recruitment and retention difficulties at the sectoral level. The quarterly Chambers' survey asks respondents whether they have experienced recruitment and retention difficulties for particular occupations, and to list such occupations. It is significant that despite rising unemployment and a slackening in the demand for labour more than a third of those recruiting in retail and more than half in tourism/leisure regularly reported difficulties in recruiting suitable staff for particular occupations. This contributes to an indication as to gap between employers' needs for trained/ skilled labour and that available in the currently depressed labour market. Furthermore, it raises some questions as to whether the growth in the 'flexible labour force' has been due, in part, to labour's preference to work part time or on short term contracts etc.

The results in Table 7 are not surprising. With rising unemployment and a depressed demand for labour there is less competition for labour and fewer opportunities for employees to move to other employers, and so labour turnover and retention problems are reduced.

Tables 5 and 6 provide an indication of the extent of labour shortages, but do not indicate the relative significance of such shortages. In the retail sector shortages of labour were not seen as a significant factor restricting sales in 1991. In common with tourism/leisure credit facilities, reflecting the levels of demand, were more significant. As Table 8 demonstrates labour shortages were cited by an average of 10% of retail respondents as the single most important factor restricting sales.

Likewise the major factor affecting the Scottish leisure and tourism industry has been the depressed levels of demand. 76% of respondents cited demand as the key single factor most likely to limit output in the first quarter of 1992. Similarly, labour shortages have not been a significant restraining factor. Table 9 indicates that only an average of 4% of tourism and leisure respondents cited labour shortages as the key factor restricting output in 1991.

Whilst there are reservations in basing conclusions on short term changes in the labour market, a number of concerns are apparent. Clearly the impact of the recession has been to alleviate and to conceal long term and significant recruitment difficulties, skill shortages and retention problems. Additionally it is primarily the recession which has apparently reduced concern for the potential labour shortages arising from reduced numbers of young people entering the labour market.

The continuing difficulties in tourism/leisure and retail in recruiting suitable temporary and other staffs suggests that labour may be less willing to accept such work, or work subject to the uncertainties of seasonality.

The relative ease of the finance sector in meeting labour requirements suggests that shortages experienced by other sectors reflects partially the less attractive image of employment outside the finance sector. This may in turn contribute to reduced numbers of young people undertaking training for the retail and/or tourism/leisure sectors, and thereby perpetuating skill shortages and an inadequately qualified labour force.

Tables 8 and 9 suggest that relatively small changes in the levels of demand can lead to significant qualitative and quantitative labour shortages. Furthermore, the results suggest a mismatch between employers' needs and expectations as to the skills and experiences of labour and current levels of supply. Evidence from recent studies [Hyman 1992] indicates that firms have traditionally invested little in training, and without a Government initiative skill and labour shortages may well hamper the exit from recession and seem set to be the next problem to confront the economy.

NOTES

1. The Scottish Chambers' Business Survey of the service sector covers SICs 64,66,81 and 97.
2. The results in this report are based on between 300 - 400 responses per quarter.

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Pollert, A [ed], Farewell to Flexibility, Oxford, Basil Blackwell, 1991.

TABLE 1 TRENDS IN TOTAL EMPLOYMENT [NET BALANCES OF RESPONSES]

	3/90	4/90	1/91	2/91	3/91	4/91
Retail Distribution	0	- 4	-19	-27	-15	-13
Finance	+11	-23	-22	-27	-31	-29
Tourism and Leisure	+ 9	+ 1	-12	-29	- 5	-14

TABLE 2 TRENDS IN EMPLOYMENT PATTERNS

Retail	3/90	4/90	1/91	2/91	3/91	4/91
Male employment	- 4	- 7	-13	-22	-13	-11
Female employment	+ 2	0	-14	-19	- 8	- 7
Full time	na	- 6	-18	-27	-14	-11
Part time	+ 8	+ 4	- 8	-12	- 9	- 4
Temporary	+ 2	+ 1	-11	-12	-11	- 9

Finance	3/90	4/90	1/91	2/91	3/91	4/91
Male employment	-12	-16	-26	-23	-25	-26
Female employment	+ 7	- 8	-16	-21	-21	- 7
Full time	- 9	-21	-29	-32	-31	-28
Part time	+ 3	+ 2	0	+ 8	+ 2	+ 5
Temporary	- 6	+ 6	- 6	+14	+15	+ 8
Agency staff	-15	-15	-27	-25	-14	-12

Tourism & Leisure	3/90	4/90	1/91	2/91	3/91	4/91
Male employment	+ 3	- 4	-17	-19	-11	-11
Female employment	+ 8	0	-18	-21	- 3	-11
Full time	+ 1	- 8	-18	-30	-14	-16
Part time	+ 7	+ 6	-24	- 9	- 8	- 2
Temporary	- 4	- 1	-35	-31	-13	- 8
Sub-contracting	+12	-13	-44	-27	-36	-27
Self-employed	- 4	- 2	-32	-20	-15	-14

TABLE 3 PERCENTAGES RECRUITING STAFF

	3/90	4/90	1/91	2/91	3/91	4/91
Retail Distribution	55%	46%	38%	47%	47%	46%
Finance	42%	23%	31%	27%	27%	27%
Tourism and Leisure	79%	60%	52%	75%	71%	54%

TABLE 4 DIFFICULTIES EXPERIENCED IN RECRUITING STAFF

Retail	3/90	4/90	1/91	2/91	3/91	4/91
Professional & Managerial	21%	27%	28%	20%	12%	15%
Technical	24%	14%	13%	6%	8%	9%
Clerical	21%	26%	20%	11%	8%	11%
Skilled manual	35%	18%	24%	21%	18%	13%
Other manual	24%	17%	22%	16%	16%	10%
Part time	24%	15%	17%	15%	20%	17%
Temporary	14%	10%	6%	4%	8%	16%
16-24 year olds	32%	26%	35%	20%	22%	17%

Finance	3/90	4/90	1/91	2/91	3/91	4/91
Professional & Managerial	25%	8%	6%	25%	8%	0%
Technical	21%	0%	0%	0%	0%	0%
Clerical	20%	31%	26%	38%	29%	0%
Skilled manual	0%	0%	0%	0%	0%	0%
Other manual	11%	0%	0%	0%	0%	0%
Part time	9%	16%	18%	8%	0%	7%
Temporary	0%	0%	6%	15%	8%	0%
16-24 year olds	12%	30%	20%	17%	21%	0%

Tourism & Leisure	3/90	4/90	1/91	2/91	3/91	4/91
Professional & Managerial	29%	44%	20%	34%	21%	21%
Technical	26%	30%	18%	17%	18%	20%
Clerical	37%	30%	24%	24%	29%	35%
Skilled manual	40%	56%	50%	56%	46%	45%
Other manual	26%	35%	20%	26%	39%	19%
Part time	33%	44%	17%	34%	44%	35%
Temporary	17%	23%	23%	18%	15%	35%
16-24 year olds	53%	38%	32%	22%	30%	60%

TABLE 5 PERCENTAGES REPORTING INCREASING RECRUITMENT DIFFICULTIES

	3/90	4/90	1/91	2/91	3/91	4/91
Retail Distribution	12%	21%	18%	9%	12%	10%
Finance	6%	2%	1%	0%	1%	0%
Tourism and Leisure	29%	37%	24%	22%	30%	18%

TABLE 6 PERCENTAGES REPORTING PARTICULAR RECRUITMENT PROBLEMS FOR SPECIFIC OCCUPATIONS

	3/90	4/90	1/91	2/91	3/91	4/91
Retail Distribution	48%	36%	38%	39%	30%	32%
Finance	23%	3%	2%	5%	3%	7%
Tourism and Leisure	74%	79%	53%	68%	59%	50%

TABLE 7 PERCENTAGES REPORTING PARTICULAR RETENTION PROBLEMS FOR SPECIFIC OCCUPATIONS

	3/90	4/90	1/91	2/91	3/91	4/91
Retail	13%	9%	9%	8%	6%	7%
Finance	16%	3%	2%	5%	3%	7%
Tourism & Leisure	46%	24%	13%	20%	22%	18%

TABLE 8 RETAIL: SIGNIFICANCE OF LABOUR IN LIMITING OUTPUT OVER NEXT QUARTER

	3/90	4/90	1/91	2/91	3/91	4/91
Shortage of labour	5%	8%	13%	12%	9%	6%
Insufficient floorspace	21%	28%	21%	26%	30%	25%
Credit facilities	25%	44%	42%	45%	41%	45%
Stock shortages	13%	20%	24%	18%	20%	24%

TABLE 9 TOURISM AND LEISURE: SIGNIFICANCE OF LABOUR IN LIMITING OUTPUT OVER NEXT QUARTER

	3/90	4/90	1/91	2/91	3/91	4/91
Shortage of labour	14%	10%	4%	2%	4%	5%
Insufficient space	16%	14%	13%	16%	15%	12%
Credit facilities	8%	3%	6%	4%	0%	6%
Difficulties with agents	3%	8%	9%	6%	21%	1%
General lack of demand	44%	65%	68%	72%	60%	76%